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# Preston

MINES LIMITED

Annual Report 1971







# Preston

MINES LIMITED

## **ANNUAL AND GENERAL MEETING**

An annual and general meeting of the shareholders of the Company will be held on Friday, April 28, 1972 at 11:00 a.m. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

**Annual Report 1971**

# Preston Mines Limited

## Officers

R. D. Armstrong  
G. R. Albino  
G. Baker  
A. C. Turner  
J. Van Netten

President  
Vice-President  
Vice-President  
Secretary  
Treasurer

## Directors

G. R. Albino  
R. D. Armstrong  
G. Baker  
J. I. Crookston  
Dr. G. B. Langford

R. D. Lord  
B. R. MacKenzie, Q.C.  
W. C. Pitfield  
J. R. Robinson

## Head Office

120 Adelaide Street West, Toronto, Canada

## Bankers

The Toronto-Dominion Bank

Toronto, Ontario

## Solicitors

Hetherington, Fallis & Park

Toronto, Ontario

## Auditors

Coopers & Lybrand, Chartered Accountants

Toronto, Ontario

## Transfer Agents

Common Shares

Canada Permanent Trust Company

Toronto, Ontario

Canadian Bank of Commerce Trust Company

New York, N.Y.

## Common Shares Listed

Toronto Stock Exchange

Toronto, Ontario

American Stock Exchange

New York, N.Y.

# Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1971.

## Financial

For the year 1971 the Company changed its accounting practice in respect of its share interest in Rio Algom Mines Limited to an equity basis in accordance with currently recommended practice and for comparative purposes the 1970 figures previously reported have been adjusted to the same basis. The effect of this change in accounting practice is described in Notes 1 and 4 to the Financial Statements included in this report.

On the new accounting basis the net earnings for the year 1971 were \$4,010,458 or 51 cents per share as compared with \$5,932,304 or 76 cents per share in 1970. The decrease in earnings in 1971 was primarily due to the decline in equity in net earnings from Rio Algom; Rio Algom's net earnings for 1971 were \$9,698,000 compared with \$14,076,000 in 1970.

Dividends received from Rio Algom Mines were \$2,152,960 in each of 1971 and 1970 and dividends paid by Preston were \$2,197,813 in each of these years.

## Stanleigh Property

In 1970 it was reported that preliminary estimates of ore reserves, capital costs and operating costs indicate that the uranium price required to make the Company's Stanleigh uranium property viable were significantly above prices then available and therefore, it was not expected that the Stanleigh uranium mine would be reopened for some time. There has been no change in this position.

## Investment in Rio Algom Mines Limited

No change has been made in the Company's investment in Rio Algom which remains at 5,382,400 common shares, representing an interest of 43.94% of the issued common shares of that company.

With the consent of Rio Algom and for your information, the 1971 Annual Report of that company is forwarded to you with this report. In view of the importance of the Lornex Project to Rio Algom, with the consent of Lornex Mining Corporation Ltd. and for your further information, the 1971 Annual Report of that company is also forwarded to you with this report.

## Directors

Your Directors report with regret the death of Mr. W. P. Arnold on January 3, 1972. Mr. Arnold was appointed a Director of the Company in August 1960 and was a Vice-President from November 1965. As a Director and Officer of the Company, and as Executive Vice-President, Mining Operations of Rio Algom Mines Limited, Mr. Arnold made significant contributions to the Company.

You will be asked at the Annual Meeting to authorize a decrease in the Board of Directors from ten members to nine.

Toronto, Canada  
February 29, 1972

On behalf of the Board  
R. D. Armstrong  
President.



## **Auditors' Report**

To the Shareholders of Preston Mines Limited:

We have examined the statement of financial position of Preston Mines Limited as at December 31, 1971 and the statements of earnings and retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent, except for the change referred to in note 1 to the financial statements with which we concur, with that of the preceding year.

COOPERS & LYBRAND  
Chartered Accountants

Toronto, Canada  
February 22, 1972

# Preston Mines Limited

(Incorporated under the laws of Ontario)

## Statement of Financial Position December 31, 1971

CURRENT ASSETS:	1971	1970
Cash .....	\$ 112,744	\$ 95,075
Short term investments, at cost, and deposits .....	1,275,000	1,197,311
Accounts receivable .....	20,482	56,808
Accounts receivable from affiliated companies .....	3,107	3,244
Prepaid expenses .....	—	416
	<u>1,411,333</u>	<u>1,352,854</u>
Less:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities .....	9,822	14,467
Unclaimed dividends .....	137,992	138,013
	<u>147,814</u>	<u>152,480</u>
WORKING CAPITAL .....	1,263,519	1,200,374
Investment in Rio Algom Mines Limited (note 1):		
5,382,400 common shares .....	72,853,163	71,103,663
Debentures, at cost .....	477,500	477,500
Mining properties, less amortization (note 2) .....	2	2
Deferred development expenditure .....	592,860	592,860
EXCESS OF ASSETS OVER LIABILITIES .....	<u>\$75,187,044</u>	<u>\$73,374,399</u>
OWNERSHIP EVIDENCED BY:		
Capital Stock —		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
7,849,333 common shares .....	\$26,910,985	\$26,910,985
Contributed surplus .....	24,993,673	24,993,673
Retained earnings (note 4) .....	23,282,386	21,469,741
	<u>\$75,187,044</u>	<u>\$73,374,399</u>

Approved on behalf of the Board:

R. D. ARMSTRONG, Director.

BRYCE MacKENZIE, Director.



# Statement of Earnings and Retained Earnings

YEAR ENDED DECEMBER 31, 1971

## EARNINGS

REVENUE:	1971	1970
Proceeds from sales of plant and equipment .....	\$ 116,545	\$ 229,815
Less cost of reconditioning equipment sold .....	9,458	43,529
	107,087	186,286
Investment and other income .....	104,074	134,110
	<u>211,161</u>	<u>320,396</u>
EXPENSE:		
Idle mine expense .....	52,326	136,348
Administrative and general expense .....	50,837	72,257
	103,163	208,605
Operating profit for the year .....	107,998	111,791
Equity in net earnings from operations of Rio Algom Mines Limited for the year .....	3,902,460	6,404,681
Net earnings from operations .....	4,010,458	6,516,472
Less equity in extraordinary items of Rio Algom Mines Limited .....	—	584,168
NET EARNINGS FOR THE YEAR (note 3) .....	<u>\$ 4,010,458</u>	<u>\$ 5,932,304</u>
Earnings per common share		
— Operating profit .....	.01	.01
— Net earnings from operations .....	.51	.83
— Net earnings for the year .....	<u>.51</u>	<u>.76</u>

## RETAINED EARNINGS (note 4)

BALANCE, beginning of year as previously reported .....	\$ 1,194,778	\$ 1,127,840
Add increase due to change in accounting for investment in Rio Algom (note 1):		
Equity in opening retained earnings of Rio Algom Mines Limited	31,495,967	27,564,777
	32,690,745	28,692,617
Less writeoff of excess of cost over equity in net assets of Rio Algom at date of acquisition .....	11,221,004	11,221,004
As restated .....	21,469,741	17,471,613
Add:		
Net earnings for the year .....	4,010,458	5,932,304
Equity in Rio Algom's reserve for marketable securities no longer required .....	—	263,637
	25,480,199	23,667,554
Dividends paid on common shares .....	2,197,813	2,197,813
Balance, end of year .....	<u>\$23,282,386</u>	<u>\$21,469,741</u>



## Statement of Source and Disposition of Funds

YEAR ENDED DECEMBER 31, 1971

SOURCE OF FUNDS:	<u>1971</u>	<u>1970</u>
Net earnings before equity in net earnings of Rio Algom Mines Limited .....	\$ 107,998	\$ 111,791
Dividends from Rio Algom Mines Limited .....	2,152,960	2,152,960
	<u>2,260,958</u>	<u>2,264,751</u>
 DISPOSITION OF FUNDS:		
Dividends on common shares .....	2,197,813	2,197,813
Deferred development on Stanleigh uranium property .....	—	15,106
	<u>2,197,813</u>	<u>2,212,919</u>
Increase in working capital .....	\$ 63,145	\$ 51,832

# Notes to Financial Statements

DECEMBER 31, 1971

## 1. Investment in Rio Algom Mines Limited

The Company's investment in common shares of Rio Algom Mines Limited represents 43.94% of the issued common shares of Rio Algom and is not of a temporary nature. The quoted market value of the shares at December 31, 1971 was \$80,736,000 (1970 — \$84,223,000). The actual value of these shares may be more or less than that indicated by market quotations. The quoted market value of the debentures was \$425,000 at December 31, 1971.

In 1971 the Company changed its accounting practice in respect of its investment in Rio Algom to an equity basis and has included the related amounts in the statement of earnings and retained earnings. Previously, the investment in Rio Algom was carried at cost. The cost of the Company's investment exceeded its equity in the net assets of Rio Algom at date of acquisition by \$11,221,004 and this excess has been written off by a charge to retained earnings.

For comparative purposes the 1970 figures have been adjusted to the same basis.

Investment in common shares of Rio Algom at cost .....		\$50,828,700
Add:		
Equity in retained earnings January 1, 1971 .....	\$31,495,967	
Less writeoff of excess of cost over equity in net assets of Rio Algom at date of acquisition .....	11,221,004	20,274,963
Equity in net earnings for the year .....		3,902,460
		75,006,123
Less dividends received for the year .....		2,152,960
Balance, December 31, 1971 .....		\$72,853,163

## 2. Plant and equipment and mining properties

Plant and equipment consists of:

	1971	1970
Buildings, machinery and equipment, at cost .....	\$10,499,745	\$11,339,525
Less accumulated depreciation .....	10,499,745	11,339,525
	<u>\$ —</u>	<u>\$ —</u>

Mining properties consist of:

Mining properties, at cost .....	\$ 1,752,654	\$ 1,752,654
Less accumulated amortization .....	1,752,652	1,752,652
	<u>\$ 2</u>	<u>\$ 2</u>

## 3. Income and mining taxes

Because of the exemptions and deductions permitted for tax purposes, it is estimated that the Company has no liability for income or mining taxes for the year.

## 4. Earnings and retained earnings

As a result of adjusting the investment in common shares of Rio Algom to an equity basis, the retained earnings of the Company as of January 1, 1971 have been increased by \$20,274,963 to \$21,469,741 to reflect the equity in net earnings of Rio Algom Mines Limited as of that date. As a result of the change in accounting practice described in Note 1 earnings for 1971 are higher by \$1,749,500 (\$0.22 per share) than the amount which would have been reported if the previous method had been used.

## 5. Remuneration of directors and senior officers

During the year ended December 31, 1971 the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company was \$13,970.







**Rio Algom**  

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**Rio Tinto**

